



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 14, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
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First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

STATUS REPORT ON DEPARTMENT OF HEALTH SERVICES GLOBAL HEALTHCARE EXCHANGE, L.L.C. SUPPLY FORMULARY & eCAPS PROCUREMENT IMPLEMENTATION PROJECT

This memorandum provides a status report on the Department of Health Services (DHS) initiative to implement the eCAPS procurement module in conjunction with a standardized supply chain formulary using Global Healthcare Exchange L.L.C. (GHX) to support the DHS Supply Chain Operations. DHS previously advised your Board on December 22, 2009 (attached) of the department's intent to enter into sole source contract negotiations with GHX.

Under the direction of this Office, key representatives from DHS, Internal Services Department (ISD), Auditor-Controller (A-C), and GHX have met regularly over the past six months to:

- Identify user and system requirements;
- Develop a streamlined process flow based on using a standardized supply formulary approach for medical/surgical products through the use of GHX; and
- Define the Statement of Work (SOW) for the agreement.

Technical work groups from the three departments continue to refine the process and ensure that the technical requirements, system interfaces, and data tables are built and will communicate between systems to accommodate a fluid supply chain operation and work plan to support DHS operational efficiencies. The SOW requirements have been drafted and are being reviewed for completeness and the flow and business processes

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are being completed to establish standardized financial reports, inventory requirements, and ancillary programs. After implementation, DHS will fully utilize the complete functionality of eCAPS procurement which will result in the planned retirement of the Hospital Materials Management Information System.

Under the proposed GHX agreement, the contractor will assist DHS in cleansing existing purchasing data and building the supply formulary which will utilize requisitioning and electronic commerce (EC) through GHX to provide accurate purchasing data for informed decision processes to support supply standardization and contract compliance. Once an agreement is approved by your Board, DHS and GHX will fast track concurrent implementation of a supply formulary and eCAPS procurement at ValleyCare, to be followed by a phased roll-out to the remainder of DHS. The DHS Supply Chain Operations is redefining and restructuring its internal processes to support a successful implementation and ongoing review of sustainable opportunities for supply standardization, reduction of expenditures, and to facilitate contract management.

DHS anticipates finalizing the GHX agreement within the next few weeks and plans to submit it to your Board for approval in August, 2010.

If you have any questions, please contact me, or have your staff contact Ellen Sandt at (213) 974-1186, or esandt@ceo.lacounty.gov.

WTF:BC:EFS
SAW:ef

Attachment

c: Executive Office, Board of Supervisors
Auditor-Controller
Health Services
Internal Services



Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

December 22, 2009

Gloria Molina
First District


Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

To: Each Supervisor

From: John F. Schunhoff, Ph.D. 
Interim Director

Subject: **ADVANCED NOTIFICATION OF SOLE SOURCE
AGREEMENT NEGOTIATIONS WITH GLOBAL
HEALTHCARE EXCHANGE L.L.C.**

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

This is to advise your Board that in two weeks time the Department of Health Services (DHS) intends to enter into sole source agreement negotiations with Global Healthcare Exchange L.L.C. (GHX) for the provision of software and services to support the Department's Group Purchasing Organization (GPO) supply chain initiatives. Board Policy 5.100 requires written notice of a department's intent to enter into sole source negotiations for agreements over \$250,000.

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GHX offers services to maximize supply chain results by assisting clients in developing a standardized supply formulary, implementing controls to ensure compliance with the established formulary, reconciling and cleansing purchasing data for consistency and completeness, and hosting established supplier agreements and pricing to automate the reconciliation of purchases to the GPO contract catalogue.

DHS has maintained membership in the University HealthSystem Consortium (UHC), a not-for-profit member alliance of approximately 68 academic health centers and its GPO, Novation, since 1997. As a member of the UHC, DHS has the ability to access the UHC agreements as an alternative to conducting a competitive solicitation. GHX has a current agreement with the UHC that was the result of the UHC's competitive bid process. DHS is recommending negotiations with GHX because the firm is the only company that focuses on healthcare supply chain data management in the United States and it is integrated with all major GPOs including Novation.

Negotiating this agreement will enable DHS to manage a supply formulary and vendor contracts for DHS commodities, as well as provide visibility to the Department's purchasing history. It is in the best interest of the County to enter into these sole source negotiations in order to maximize supply chain automation, drive compliance by implementing controls and standards, and provide DHS with the data necessary to effectively managed the supply chain.

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December 22, 2009
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DHS will proceed with the sole source negotiations with GHX Inc. within two weeks from the date of this memo unless the Department is instructed otherwise by your Board.

If you have any questions, please let me know.

JFS:KKH:cvc

c: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors